

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Louisiana Technical College System
New Orleans Regional Office
Department of Education
State of Louisiana
New Orleans, Louisiana**

June 5, 1996



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**LOUISIANA TECHNICAL COLLEGE SYSTEM
NEW ORLEANS REGIONAL OFFICE
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
New Orleans, Louisiana**

**Management Letter
Dated April 16, 1996**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

June 5, 1996



DANIEL G. KYLE, PH.D., CPA, CFE
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April 16, 1996

**LOUISIANA TECHNICAL COLLEGE SYSTEM
NEW ORLEANS REGIONAL OFFICE
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
New Orleans, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1996, we conducted certain procedures at the Louisiana Technical College System, New Orleans Regional Office. Our procedures included (1) a review of the regional office's internal control structure; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior report recommendations.

The Annual Financial Report of the Louisiana Technical College System, New Orleans Regional Office was not within the scope of our work, and, accordingly, we offer no form of assurance on that report upon its issuance. The regional office's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected regional office personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report dated May 11, 1995, on the Louisiana Technical College System, New Orleans Regional Office, we reported findings relating to electronic data processing (EDP) on-line data controls, tuition receivables, vending machine proceeds, movable property, and segregation of duties for procurement and personnel. The findings relating to EDP on-line controls, vending machine proceeds, and segregation of duties for procurement and personnel have been resolved by management. The findings relating to movable property and tuition receivables have not been resolved and are addressed again in this report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

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Timely Termination of Students From Federal Programs

The Louisiana Technical College System, New Orleans Regional Office did not terminate students participating in the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246) within one program year after becoming ineligible as instructed by the Louisiana Department of Education. In addition, the regional office did not always have adequate documentation of a participant's work history. The Code of Federal Regulations [20 CFR 629.1] requires participants to meet the general eligibility requirements of a dislocated worker, which includes a description of the participant's work history. Acceptable documentation includes Louisiana Department of Labor wage record files, employer's statement on letterhead, state/federal tax returns, check stubs, or a letter generated by the New Orleans Regional Office to the employer verifying employment.

Of ten student files examined by us, one file did not have acceptable documentation of the student's work history. The work history was not supported because the student was still on the active participants' list even though the student had originally dropped out of the program on August 3, 1990. There were also five students who dropped out of school between January 28, 1994, and May 12, 1995, who were still listed as active participants, as of November 30, 1995. The program coordinator did not obtain current documentation to support the student's eligibility and did not remove the students from the active participants' list at the end of the program year. As a result, students that are no longer eligible could receive financial aid. In addition, the untimely student terminations misrepresent the active participants in the Employment and Training Assistance - Dislocated Workers Program and distort the actual placement services being provided.

We recommend that the regional office ensure that students are terminated from the active participants' list as required by program guidelines. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated:

The JTPA State Program Coordinator conducts an end-of-the-year review of all program participants who are no longer in training. At that time an attempt is made to contact the participants to offer other available services, i.e. counseling, resume writing, and job search before the participant is terminated. This information is then transmitted to the Louisiana Department of Labor where the terminations are entered on-line.

We concur with the finding that the students identified by the auditor were not terminated in a timely manner. In the future the Coordinator will immediately terminate

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participants after all qualifying services are provided. This is in keeping with LDOL guidelines.

Controls Over Requests for Reimbursement

The Louisiana Technical College System, New Orleans Regional Office does not have adequate internal controls over the cost reimbursement process for certain federal programs. A good internal control structure should provide the regional office with procedures to record, process, summarize, and prepare accurate cost reimbursement request documents.

During our review of requests for reimbursements, we noted the following:

- The West Jefferson Campus (WJC) does not have procedures to ensure that reimbursements of expenditures made on behalf of the JTPA Program (CFDA 17.250) and received from the Jefferson Parish Office of Manpower were requested timely. As of February 27, 1996, the WJC had not billed for reimbursement of costs totaling \$10,222, covering the periods from September 11, 1995.
- The New Orleans Regional Office did not ensure that reimbursement requests for the JTPA Program (CFDA 17.250) included all salaries and related benefits costs. The regional office did not request \$507 for reimbursement of federal and state unemployment taxes for the period from June 19, 1995 to September 24, 1995, from Orleans Private Industry Council, Incorporated (OPIC).
- The New Orleans Regional Office did not properly prepare the request for reimbursement for the month of December 1995 for the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246). The New Orleans Regional Office requested reimbursement of \$21,086, of which \$15,721 represented outstanding purchase orders. The inclusion of amounts for outstanding purchase orders in the request for reimbursement resulted in \$15,721 of program funds in excess of expenditures incurred for the month.

The lack of adequate internal control procedures over the preparation of requests for reimbursements for federal program expenditures results in the use of state funds instead of federal funds for excessive periods of time and the possible loss of interest

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earnings. Federal funds drawn in advance of need could result in an interest liability to the federal grantor.

We recommend that the regional office review and strengthen control procedures relating to recording, processing, summarizing, and preparing cost reimbursement request documents. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director stated that the West Jefferson Campus did not bill for the period cited in the finding until March 5, 1996, and measures will be taken to ensure that billings are done quarterly. Ms. Lain also concurred that the \$507 was inadvertently omitted from the request for reimbursement from OPIC and stated that the regional director and OPIC's accounting staff will continue to review and approve all reimbursement requests. Ms. Lain concurred that the New Orleans Regional Office did not properly prepare the December 1995 request for reimbursement for the Dislocated Workers Program; however, the inclusion of purchase orders in the request was caused by the changeover to a new statewide purchasing system. Management intends on taking corrective action that will ensure that such an error does not occur again.

Cash Management

The Louisiana Technical College System, New Orleans Regional Office does not have adequate internal controls over student training funds received in advance from the Orleans Private Industry Council, Incorporated (OPIC) for the Job Training Partnership Act Program (JTPA) (CFDA 17.250). The regional office has the responsibility to establish adequate internal accounting controls over the advance funds to include a reconciliation of the individual student file advance balances to the balance of the cash advance recorded in the accounting system.

The regional office maintains individual student files, which list for each student the amount of each advance; the actual expenditures for tuition, books, and supplies; and the remaining balance left on the advance. The regional office is not reconciling the balances of advance funds per the student files (advance less actual cost for tuition, books, and supplies) to the balance of the cash advance recorded in its accounting system. As a result, the regional office has no assurance of the accuracy of the cash advance balance or that errors or irregularities will be detected within a timely manner.

We recommend that the regional office perform monthly reconciliations of the advance deposits of individual student balances to the balance of JTPA Program cash advances in its accounting system. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated "... the coordinator and the regional accountant did not reconcile these expenditures to the Detailed Project Report. In order to ensure that errors or

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irregularities will be detected within a timely period, we will begin monthly reconciliations of advanced deposits in lieu of the planned annual reconciliation performed with the previous cost-reimbursement contracts."

**Federal Pell Grant Program -
Coordination of Effort**

Louisiana Technical College System, New Orleans Regional Office does not have established written procedures to determine if a student applied for Pell Grant in order to qualify for other financial assistance programs. In addition, the system has not maintained sufficient documentation of the coordination of effort among all federal and nonfederal financial assistance programs to avoid duplication of federal financial assistance.

Good internal controls should provide for procedures that establish a central determination of Pell Grant certification and the coordination of efforts among all federal and nonfederal financial assistance programs. In addition, coordination of effort for financial assistance programs are mandated in the *Audit Guide for Compliance Audits of Federal Student Financial Assistance Programs at Participating Institutions*, issued by the U.S. Department of Education, Office of Inspector General, and the Code of Federal Regulations [34 CFR 668.16(b)(1)].

Our tests of the system's records disclosed the following:

- Of two students' files examined, one student participating in the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246) had not applied for a Federal Pell Grant (CFDA 84.063). There was no evidence in the Job Training Partnership Act (JTPA) files that a coordination of effort was being performed.
- Of nine students' files examined, four students participating in the JTPA Program (CFDA 17.250); passed through from Orleans Private Industry Council (OPIC), did not have evidence of the students' application or the receipt of a Pell grant. The project coordinator has a meeting with the student financial aid officer of each school to determine if the JTPA students are receiving Pell; however, this procedure had not been done for all students in the JTPA Program as of February 27, 1996, for the 1995-96 fiscal year.

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- All four student files examined at the West Jefferson campus for those students participating in the JTPA Program, passed through the Jefferson Parish Office of Manpower, did not have evidence of the student's application for a Pell grant.

We recommend that the regional office establish written procedures to determine if a student has applied for Pell Grant in order to qualify for other financial assistance programs. In addition, we recommend that each campus maintain written documentation of the coordination of effort among all federal and nonfederal financial assistance programs to avoid duplication of federal financial assistance based on a student's financial need.

In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated in part:

Budgetary restraints prevent us from establishing Financial Aid Offices at each site for the purpose of coordinating federal and non-federal aid, however, each campus has implemented procedures that allow them to know who receives federal funds. The system is not a complex one, in some instances, student folders are color-coded, while in others information is retained in the student's admission folder indicating the type of financial aid received. Program coordinators for Project Independence, JTPA, State and City work closely with each campus' Student Personnel Services Officer in identifying those individuals receiving their services. We are not conducting a haphazard operation. We are simply trying to work within the constraints of the funding that we have for operating these Colleges. We are interested in following all federal guidelines, and will make every effort to coordinate these activities . . .

Additional Comment: The regional office does not have written procedures, and the individual schools have not maintained written documentation of the coordination of effort among all federal and nonfederal financial assistance programs.

Federal Pell Grant Calculations

The Louisiana Technical College System, New Orleans Regional Office, Sidney Collier campus did not properly calculate the amount for awards under the Federal Pell Grant Program (CFDA 84.063). The Code of Federal Regulations [34 CFR Subpart F Section 690.62 and 690.63] require that a student's Pell Grant for each payment period be calculated by determining his or her enrollment status and determining his or her annual award from the payment schedule established by the Department of Education. Of ten Pell Grant awards recalculated by us during our audit, six awards did not agree to the actual Pell Grant disbursement. The awards were incorrectly calculated by the

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Sidney Collier campus because the wrong award table was used in the calculations. Failure to correctly calculate the Pell Grant award resulted in an under-awarding of \$935.

We recommend that the regional office make a concerted effort to ensure that the proper amounts from the Pell Grant payment schedules are used when computing Pell Grant awards. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated in part that "This agency concurs with the observation that the incorrect schedule award table was used to determine the Pell Grant amount for half-time (evening) students. After corresponding with the Department of Education, the correct schedule is now used for all Pell Grant award calculations. On March 6, 1996 recalculations of Pell Grant awards using the correct payment calculation schedule were made for all half-time (evening) students. Additional funds were requested in accordance with the recalculations for the students affected."

Movable Property Records

The Louisiana Technical College System, New Orleans Regional Office did not comply with Louisiana Administrative Code 34:VII.307.A, which requires that acquisitions be tagged and information be forwarded to Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of movable property items.

- In our test of 17 additions to movable property at Sidney N. Collier campus, 5 items (29 percent) were not submitted to LPAA within 45 days of receipt of the property. The number of days between receipt and submission to LPAA ranged from 128 days to 219 days.
- Of 115 additions to movable property at New Orleans campus, 14 items (12 percent) were not submitted to LPAA within 45 days of receipt of the property. The number of days between receipt and submission to LPAA ranged from 57 days to 121 days.

We recommend that the regional office take the necessary measures to ensure that the individual campuses tag movable property and forward acquisition information to LPAA within the prescribed time period. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated that the system will begin using LPAA's on-line system for acquisitions and will take other actions to ensure that property is tagged and information is forwarded to LPAA within 45 days.

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Tuition Revenue and Receivables

The Louisiana Technical College System, New Orleans Regional Office has not maintained adequate internal accounting controls over its third party billings for student tuition. A good system of internal controls should include identification and reconciliation of payments received to billings sent. Tuition costs for qualified students are reimbursed to the Sidney N. Collier campus (SNC) through the Job Training Partnership Act (JTPA) (CFDA 17.250) and Project Independence (PI) programs by invoices that are submitted to the Regional Office - New Orleans. These invoices are paid by means of interagency transfer documents (FACS 160s); however, the New Orleans Regional Office is not providing with the FACS 160 document, a detail of each student's tuition that is being reimbursed. As a result, SNC has not been able to reconcile amounts received to invoices submitted. Without a detailed listing supporting the tuition reimbursement amount, SNC cannot be sure it has collected all tuition costs it is due.

We recommend that SNC and the New Orleans Regional Office take the necessary measures to ensure that adequate internal accounting controls are maintained over their third party billings and that tuition revenue and receivables are accurately recorded and reported. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, stated that "Currently Sidney N. Collier invoices the Regional Office quarterly and/or monthly for tuition payments. Invoices are submitted to the Regional Office for three financial aid programs—Job Training Partnership Act (JTPA), Project Independence (PI), and JTPA Dislocated Workers. Each program coordinator has agreed to submit to this agency a copy of the FACS 160 with an attached roster of participants for which payment is made on a timely basis. The implementation of this practice will insure tracking of all tuition payments to the specific student and enable us to reconcile the FACS 160 to the invoices."

Payroll User Controls

The Louisiana Technical College System, New Orleans Regional Office does not have adequate user controls for the input of payroll transactions into the Uniform Payroll System (UPS). The regional office has the responsibility to establish adequate user controls for processing payroll transactions within the UPS. Our review of the systems for processing payroll transactions revealed the following internal control weaknesses:

1. The timekeeper at the regional office performs incompatible functions, in that this employee enters time and leave into the system, has access to the master records, and reviews the UPS reports.

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2. The regional accountant is using the accountant specialist's User ID to access the timekeeping and master records while the accountant specialist is out on emergency leave.
3. The reviewer at the regional office is not approving, signing, and/or dating the Consolidated Listing of Employee Adjustments, which is produced by the UPS each payroll period, to certify that the adjustments to employees' pay are proper.

The present user controls for processing payroll at the regional office provide no assurance that errors or irregularities will be detected within a timely period.

We recommend that the regional office establish adequate user controls that provide for the proper segregation of duties and the proper processing of payroll transactions within the UPS. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director stated that "The accounting specialist did perform timekeeping duties and had access to the master records. As a means of correcting this finding, the regional accountant and the regional director will be the only employees with access to the master records.

The regional accountant did use the accounting specialist's user ID to access the timekeeping and master records, while the accounting specialist was out on emergency leave. In our haste to get the work done we did not reassign those duties, because very frankly we have no one else to assign them to. The regional accountant will however get another user ID to perform the work.

The Regional Office does review the consolidated listing of Employee Adjustment, we will in the future sign and date the sheet to prove this."

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the regional office. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the regional office should be considered in reaching decisions on courses of action. Findings relating to the regional office's compliance with applicable laws and regulations should be addressed immediately by management.

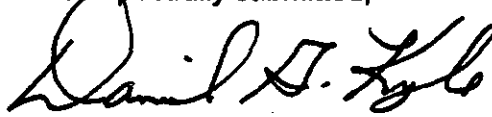
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By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle", written in a cursive style.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

JGD:JR:dl

[LCS]